



EXPLORATION UPDATE

MAJOR DRILLING PROGRAM AT ELLENDALE EAST DIAMOND PROJECT

- **Aircore drilling underway at Ellendale East to confirm potential new diamond discoveries and test magnetic anomalies not previously drilled, including one target area of more than 200 hectares.**
 - **Ellendale East Project, located close to, and along structure from, the Ellendale 4 mining operation, includes six potential new lamproite pipes and 47 magnetic targets.**
 - **Approximately 1,600m of drilling completed to date with ~1 tonne of drill cuttings dispatched for processing and recovery of diamonds and indicator minerals.**
 - **First major field exploration program since establishment of Joint Venture with Caldera Resources Inc. in June 2006.**
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Resource and Investment NL (**ASX: RNI**) (**R&I**) today announced an exploration update following the commencement of exploration drilling to test a number of priority magnetic targets at the **Ellendale East Project** in Western Australia's Kimberley region under its recently established Joint Venture with TSX-listed diamond explorer, Caldera Resources Inc. (TSX: CDR). Under the Joint Venture, R&I has the right to earn a 51 per cent interest in the Ellendale East and Ellendale South Projects, which are located in close proximity to Kimberley Diamond Company's operating Ellendale Diamond Mine.

The adjoining projects comprise five Exploration Licences and Exploration Licence Applications covering an area of over 800km², located between 20km and 70km south east of the recently commissioned Ellendale 4 mining operation. Caldera has previously announced the discovery of up to **six potential new lamproite pipes** within the Ellendale East Project, including a substantial target with an area of more than 200 hectares.

Aircore Drilling Program – Caldera Joint Venture

R&I commenced a major aircore drilling program at Ellendale East in mid-September 2006, which was designed both to confirm previous results and to test magnetic anomalies not yet drilled by Caldera. To date, 17 holes and 1,569 metres of drilling have been completed, with the exploration program being funded by R&I as part of its earn-in commitment under the Joint Venture with Caldera. R&I's major shareholder, Blina Diamonds NL, is managing and operating the exploration program on a "cost plus" basis, leveraging off its extensive exploration infrastructure in the region.

Drilling has so far been concentrated on anomalies ELL8 and ELL27, where Caldera previously reported microdiamonds and indicator minerals from a "volcaniclastic quartz tuff" intersected at depths of between 50 and 70 metres below surface. The current drilling program has successfully intersected this unit in all holes drilled to date, and approximately one tonne of drill cuttings have been dispatched to Diatech's laboratory in Perth for recovery of diamonds and indicator minerals.

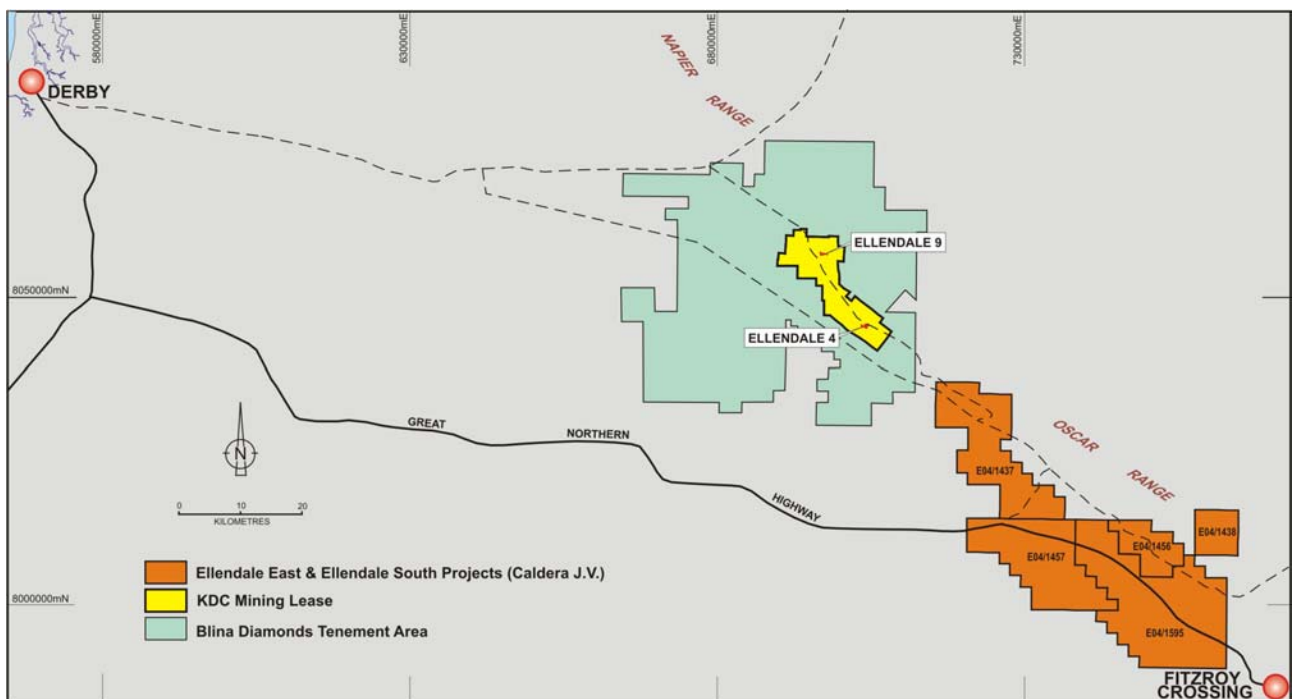
Geophysical surveys completed by Caldera in 2005 identified **47 magnetic targets** within the Ellendale East area. Reconnaissance drilling of a number of these targets resulted in the recovery of fragmental rocks containing diamonds and diamond-indicator minerals (chromites). Petrological studies undertaken by Geological Consultant, Dr Greg Pooley, describe the diamond host rock as a "volcaniclastic quartz tuff". The lithology is considered one of the predominant diamond-bearing rocks in the Ellendale Field and was recognised in six of the targets drilled by Caldera.

One of the targets drilled by Caldera covers an area in excess of 200 hectares.

Detailed logging of the recently completed drill holes suggests that "volcaniclastic quartz tuff" occurs as a distinct unit within the Permian-aged, Grant Formation. This interpretation would mean that the material is 250 million years older than the Ellendale Field lamproites and unrelated to this period of volcanism. The identification of diamonds and diamondiferous indicator minerals in rocks of this age suggests the possibility that a new and previously unrecognized diamond emplacement event may exist in the West Kimberley region.

Drilling of the other magnetic targets in the Ellendale East area will continue for another month. Initial results from processing of drill chips are expected to be available within the next three weeks.

Ellendale East and Ellendale South Joint Venture Area



Corporate

Ordinary fully paid shares	30,026,654
Unlisted options expiring 31/12/2006 exercisable at \$3.00	111,500
Unlisted options expiring 31/12/2007 exercisable at \$4.00	107,750
Unlisted options expiring 7/9/2009 exercisable at \$0.90	1,500,000
Unlisted options expiring 24/11/2010 exercisable at \$1.30	550,000
Unlisted options expiring 7/9/2011 exercisable at \$1.50	1,500,000

Market capitalisation at \$0.45 at 18/10/2006 \$13.5M

Directors Miles Kennedy – Non-executive Chairman
John Firth – CEO (Sth Africa)
Peter Danchin – Non-executive director
John Hutton – Non-executive director
Richard Linnell – Non-executive director

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